



# Committee On Finance

Max Baucus, Ranking Member

**NEWS RELEASE**

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## **REID, BAUCUS QUESTION SOCIAL SECURITY NOMINEE**

*Senators ask Astrue's views on privatization, plans to promote President's proposals*

**Washington, DC** – U.S. Senators Harry Reid (D-Nev.) and Max Baucus (D-Mont.) today questioned the White House nominee to head the Social Security Administration about his views on privatizing Social Security. In a letter to Michael J. Astrue, the Democratic leader and Ranking Democrat on the Senate Finance Committee asked the nominee to share his views on the President's proposals to change Social Security. They also asked to what degree Astrue would promote the President's Social Security agenda as Commissioner, both publicly and privately. The text of the Senators' letter follows here:

October 31, 2006

Michael J. Astrue  
% Robert M. Wilson, Deputy Commissioner  
Office of Legislative and Congressional Affairs  
Social Security Administration  
500 E Street, SW Suite 800  
Washington, DC 20254-0001

Dear Mr. Astrue:

Congratulations on your nomination to be the next Commissioner of Social Security. This position is one of the most important in the Federal Government because the Commissioner is responsible for maintaining a program that many Americans depend on for their financial survival. Indeed, if the Social Security program did not exist, more than 50 percent of our seniors would be living in poverty. Therefore, we and the other members of the Congress will examine your qualifications for this position very closely.

Given the importance of the Social Security program, Congress established the Social Security Administration as an independent agency in 1994. One important aspect of the Agency's independence is that the Commissioner serves a six-year term, in contrast to the four-year term for the President. Additionally, a President can only fire the Commissioner of Social Security for willful misconduct. With these two features that make the agency and the Commissioner independent, it is quite possible that a Commissioner could be in office during the term of a President who did not appoint him or her. Thus, Congress clearly contemplated the possibility that a Commissioner may have different views on some issues than the President who is in office at the same time.

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A critical issue facing the Social Security program is the challenge of shoring up its long-term finances. Under current law, the Social Security program can be fully financed until 2046, according to the Congressional Budget Office. After that, the program can pay 79 cents of every dollar of benefits. Clearly, we must make some changes to pay full Social Security benefits in the future. The sooner we make these changes, the more time future workers and beneficiaries will have to adjust their retirement plans.

President Bush has proposed a privatization plan that would change the Social Security program dramatically, and this proposal is fully reflected in the proposed Budget he sent to the Congress last February. The proposal has two major elements.

The first major element would privatize Social Security by allowing workers to divert a portion of their Social Security payroll taxes into private savings accounts, rather than into the Social Security Trust Fund. We have strong objections to this change. The diversion of payroll taxes into private accounts would worsen – not improve -- Social Security's long-run solvency problems, thereby leading to benefit cuts, it would increase Federal debt held by the public by \$5 trillion during its first twenty years in operation, and it would expose Social Security benefits – which are the sole or primary source of income for many seniors – to financial market risks.

The second major element of the President's proposal would further cut Social Security benefits deeply by changing the formula by which initial Social Security benefits of future retirees would be determined. As a result of this change, many middle-class retirees would suffer enormous reductions in their benefits. For example, workers with yearly earnings equivalent to \$59,000 today would have their future Social Security benefits reduced by 42 percent. Workers with earnings equivalent to \$37,000 would suffer a 28 percent reduction in their future benefits. We think that such huge cuts in benefits are not acceptable.

To adequately evaluate your nomination, it is important for us to know your answers to two questions:

1. What are your views on each major element of President Bush's privatization plan?
2. To what extent will you speak out and take actions to support President Bush's privatization plan in public or in private?

In order for us to proceed expeditiously, please provide your answers no later than November 3<sup>rd</sup>.

We look forward to hearing your responses to these two important questions and to working with you to keep the Social Security program strong for future beneficiaries.

Sincerely,

Harry Reid  
Democratic Leader

Max Baucus  
Ranking Member  
Committee on Finance